

## Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

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(202) 622-7790  
Refer Reply To:  
CC:CORP:B03 PLR-126024-02  
Date:  
August 29, 2002

Re:

### LEGEND:

Date 1 =

Dear :

We respond to your letter dated May 3, 2002, requesting that we supplement our prior supplemental letter ruling dated June 25, 2001 (PLR-127364-01, published as LTR 200138015) (the "Second Supplemental Letter Ruling"), which supplemented a letter ruling dated June 16, 1997 (PLR-253457-96, published as LTR 9737020) (the "Original Letter Ruling"). Another supplemental letter ruling (PLR-116822-97, published as LTR 9813016) to the Original Letter Ruling was issued in a letter dated December 22, 1997 (the "First Supplemental Letter Ruling"). Additional information for the instant case was submitted in a letter dated June 19, 2002. The material information submitted for consideration is summarized below. All capitalized terms retain the meanings assigned to them in the Original Letter Ruling, as modified by the First Supplemental Letter Ruling and the Second Supplemental Letter Ruling (together, the "Prior Supplemental Letter Rulings").

The facts are the same as in the Original Letter Ruling, as modified by the Prior Supplemental Letter Rulings, except that the employees of Controlled I will be allowed to diversify the stock holdings in the ESOP.

Step (xx) of the Original Letter Ruling, as modified by the Prior Supplemental Letter Rulings, provides that:

- (xx) As soon as possible after the Controlled I Distribution, Controlled I will establish solely for its Business I employees, an ESOP that satisfies the requirements of §§ 401(a) and 4975(e)(7) (the "Controlled I ESOP"). If within five years of the transaction, the Controlled I ESOP has not acquired shares representing at least h percent of the total number of shares of Controlled I common stock outstanding immediately after the Controlled I Distribution, Controlled I will issue to the Controlled I ESOP, in exchange for a debt obligation, sufficient Controlled I common stock to increase the amount of Controlled I common stock acquired by the Controlled I ESOP to that level.

Information has been provided that Controlled I has established such an ESOP and as of Date 1 at least h percent of the amount of shares of Controlled I common stock outstanding immediately after the distribution were held by the ESOP. The taxpayer has represented that Controlled I has not and will not remove any of the shares contributed to the ESOP.

Based on the facts and representations submitted with the Original Letter Ruling, as modified by the Prior Supplemental Letter Rulings, we hold that any diversification by employees of Controlled I of the assets held by the ESOP and any sale or disposition of the assets held by the ESOP in connection with the termination by Controlled I employees of their employment will not have any adverse impact on the rulings previously issued.

A copy of this letter ruling should be attached to the federal income tax returns of the taxpayers involved for the taxable year in which the transaction covered by this letter ruling is consummated.

This letter ruling is directed only to the taxpayer(s) requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Pursuant to a power of attorney on file in this office, a copy of this letter ruling has been sent to the taxpayer.

Sincerely yours,

Ken Cohen

Ken Cohen  
Senior Technician Reviewer, Branch 3  
Office of Associate Chief Counsel  
(Corporate)

cc:

